

1997

# Utah Individual Income Tax Forms and Instructions

See the new RAPID Instructions

TC-40



PIONEER  
SESQUICENTENNIAL  
1847 - 1997

Utah State Tax Commission  
210 N 1950 W Salt Lake City Utah 84134  
**Utah Individual Income Tax Return**

**1997**  
**TC-40**  
Rev. 12/97

This return is for calendar year ending Dec. 31, 1997, or fiscal year beginning \_\_\_\_\_, 19\_\_\_\_ and ending \_\_\_\_\_, 19\_\_\_\_.

**Send the original return.  
Do not send photocopy.**

☐ **AMENDED RETURN**

See page 4 for "THE REASONS FOR AMENDING" and enter the number in this box →

<b>Use the Utah label and enter your SSN and telephone numbers or print your name, address, telephone numbers, and social security numbers. (See page 4)</b>	Full name (first, middle initial, last)				<b>Write your Social Security Numbers. SSN is not on the label.</b>	<b>Your Social Security number</b> - -	
	Spouse's name (first, middle initial, last)					<b>Spouse's Social Security number</b> - -	
	Present address			City	Daytime telephone number ( )		
	State & ZIP code		CO	(If not U.S.) Foreign state & ZIP code	(If not U.S.) Foreign country	Evening telephone number ( )	

<b>1. Filing status (page 4)</b> a. <input type="checkbox"/> Single b. <input type="checkbox"/> Head of household c. <input type="checkbox"/> Married filing joint return d. <input type="checkbox"/> Married filing separate return e. <input type="checkbox"/> Qualifying widow(er) <i>If filing married joint or separate return, enter spouse's name and social security number in the address area above.</i>	<b>2. Exemptions (enter the same number claimed on federal return) (page 4)</b> a. <input type="checkbox"/> Yourself (enter "0" if you did not claim yourself on federal return) b. <input type="checkbox"/> Spouse c. <input type="checkbox"/> Other dependents d. <input type="checkbox"/> Disabled (attach form TC-40D) e. <input type="checkbox"/> Total exemptions	<b>3. Election campaign fund (page 5)</b> (Checking a party does not increase your tax or reduce your refund.) <table border="1"><thead><tr><th></th><th>Yourself</th><th>Spouse</th><th>Yourself</th><th>Spouse</th></tr></thead><tbody><tr><td>Democrat</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td>Natural Law</td><td><input type="checkbox"/></td></tr><tr><td>Independent</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td>Reform Party</td><td><input type="checkbox"/></td></tr><tr><td>American</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td>Republican</td><td><input type="checkbox"/></td></tr><tr><td>Independent/Patriot</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td>US Taxpayers</td><td><input type="checkbox"/></td></tr><tr><td>Libertarian</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td>No Contribution</td><td><input type="checkbox"/></td></tr></tbody></table>		Yourself	Spouse	Yourself	Spouse	Democrat	<input type="checkbox"/>	<input type="checkbox"/>	Natural Law	<input type="checkbox"/>	Independent	<input type="checkbox"/>	<input type="checkbox"/>	Reform Party	<input type="checkbox"/>	American	<input type="checkbox"/>	<input type="checkbox"/>	Republican	<input type="checkbox"/>	Independent/Patriot	<input type="checkbox"/>	<input type="checkbox"/>	US Taxpayers	<input type="checkbox"/>	Libertarian	<input type="checkbox"/>	<input type="checkbox"/>	No Contribution	<input type="checkbox"/>
	Yourself	Spouse	Yourself	Spouse																												
Democrat	<input type="checkbox"/>	<input type="checkbox"/>	Natural Law	<input type="checkbox"/>																												
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American	<input type="checkbox"/>	<input type="checkbox"/>	Republican	<input type="checkbox"/>																												
Independent/Patriot	<input type="checkbox"/>	<input type="checkbox"/>	US Taxpayers	<input type="checkbox"/>																												
Libertarian	<input type="checkbox"/>	<input type="checkbox"/>	No Contribution	<input type="checkbox"/>																												

<b>4. Federal adjusted gross income from federal return Telefile Record line H, 1040EZ line 4, 1040A line 16, or 1040 line 32 (page 5)</b>	4	00
<b>5. State income tax deducted as an itemized deduction on your 1997 federal Schedule A, line 5 (page 5)</b>	5	00
<b>6. Enter entire amount of lump sum distribution reported on federal form 4972 (page 5)</b>	6	00
<b>7. State taxes allocated from an estate or trust (page 6)</b>	7	00
<b>8. Additions to income (page 6)</b> <input type="checkbox"/> MSA \$ <input type="checkbox"/> UESP \$ <input type="checkbox"/> Reimbursed \$ Adoption expenses	8	00
<b>9. Total adjusted income (add lines 4 through 8)</b>	9	00

<b>10. Standard or itemized deduction (1040EZ and Telefile filers, must see page 6)</b>	10	00
<b>11. Personal exemptions deduction (page 6)</b>	11	00
<b>12. One-half of the federal tax liability deduction (page 6)</b>	12	00
<b>13. State tax refund included on line 10 of federal form 1040 (page 6)</b>	13	00
<b>14. Retirement exemption/deduction</b> Check box if age 65 or older <input type="checkbox"/> Taxpayer is 65 or older <input type="checkbox"/> Spouse is 65 or older	14	00
<b>15. Interest from U. S. government obligations deduction (page 7)</b>	15	00
<b>16. MSA and UESP deductions (page 8)</b> <input type="checkbox"/> MSA \$ <input type="checkbox"/> UESP \$	16	00
<b>17. Health Care Insurance Premium deduction (page 8)</b>	17	00
<b>18. Other deductions (page 8)</b> <input type="checkbox"/> Adoption exp. \$ <input type="checkbox"/> R.R. Retire. \$ <input type="checkbox"/> Native Amer. income \$ <input type="checkbox"/> Other \$	18	00
<b>19. Total deductions (add lines 10 through 18)</b>	19	00

<b>20. Utah 1997 taxable income (subtract line 19 from line 9) If less than zero, enter zero.</b>	20	00
<b>21. CALCULATE INCOME TAX (MUST READ INSTRUCTIONS on page 8) Worksheet on page 16.</b>	21	00

<b>22. FOR NON OR PART-YEAR RESIDENTS ONLY - Use form TC-40A, PART 3. Check "Nonresident" or "Part-year resident" below.</b>		
<input type="checkbox"/> Nonresident. Home state initial is: _____ <input type="checkbox"/> Part-year resident from ____/____/97 to ____/____/97		
Information in the boxes below are from state form TC-40A, Part 3. (See page 8)		
a. Column A, line h	b. Column B, line h	c. Utah income tax rate
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		22 00

**Non or Part-year Residents must attach a copy of their federal return.**

<b>23. Medical Savings Account (MSA) penalty (from state form TC-675M) (page 9)</b>	23	00
<b>24. Utah use tax (page 9)</b>	24	00

<b>25. Subtotal - Utah income tax, MSA penalty, and use tax</b> <b>UTAH RESIDENTS: Add lines 21, 23, and 24.</b>	25	00
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CONTINUE ON LINE 26

**NON OR PART-YEAR RESIDENTS: Add lines 22, 23, and 24.**

CONTINUE ON LINE 26

Attach W-2 and other withholding forms here

<b>26. Enter amount from line 25 (Subtotal - Utah income tax, MSA penalty, and use tax)</b> .....		26	00
<b>27. Contributions (page 9)</b>			
27a. Homeless trust fund .....	● 27a	00	
27b. Kurt Oscarson Children's organ transplant fund .....	● 27b	00	
27c. Utah nongame wildlife fund .....	● 27c	00	
27d. State colleges and universities..... College code ● <input style="width: 40px;" type="text"/>	● 27d	00	
27e. Nonprofit school district foundation..... School district code ● <input style="width: 40px;" type="text"/>	● 27e	00	
<b>Total contributions (add lines 27a through 27e)</b> .....		27	00
<b>28. AMENDED RETURNS ONLY - previous refunds (page 10)</b> .....		28	00
<b>29. Total tax and contributions (add lines 26, 27, and 28)</b> .....		29	00
<b>30. UTAH TAX WITHHELD</b> (must attach W-2 and/or 1099 forms) (page 10) .....		30	00
<b>31. UTAH RESIDENTS ONLY</b> - Credit for income tax paid to another state (page 10) (use form TC-40A, Part 1) .....		31	00
<b>32. Credit for Utah income taxes prepaid (page 10)</b> .....		32	00
<b>33. AMENDED RETURNS ONLY - previous payments (page 10)</b> .....		33	00
<b>34. Nonrefundable credits (pages 10 through 12)</b>			
34a. Energy systems installation credit (attach TC-40E) .....	● 34a	00	
34b. Clean fuel alternative credit (attach TC-40F) .....	● 34b	00	
34c. Clean fuel vehicle credit (attach TC-40V) .....	● 34c	00	
34d. Historic preservation credit (attach TC-40H) .....	● 34d	00	
34e. Enterprise zone credit .....	● 34e	00	
34f. Qualified sheltered workshop cash contribution credit Name of workshop .....	● 34f	00	
Total cash contribution <input style="width: 60px;" type="text"/> x 50% (maximum credit is \$200)			
34g. Low income housing credit (see instructions for required forms) .....	● 34g	00	
34h. Tax credits for employers who hire disabled employees (attach TC-40HD) .....	● 34h	00	
34i. Recycling market development zones (attach TC-40R) .....	● 34i	00	
34j. Tutoring tax credit for disabled dependents .....	● 34j	00	
<b>Total nonrefundable credits (add lines 34a through 34j)</b> .....		34	00
<b>UTAH RESIDENT: The total nonrefundable credits on line 34 cannot exceed the amount on line 21 less line 31.</b>			
<b>NON or PART-YEAR RESIDENT: The total nonrefundable credits on line 34 cannot exceed the amount on line 22.</b>			
<b>35. Other credits (pages 12 through 13)</b>			
35a. Mineral production withholding tax credit (attach TC-675R and/or K-1) .....	● 35a	00	
35b. Agricultural off-highway gas/undyed diesel tax credit. Gallons _____ (see pages 12 & 13) .....	● 35b	00	
35c. <b>NON or PART-YEAR RESIDENTS ONLY</b> Nonresident shareholder's withholding tax credit .....	● 35c	00	
Federal ID number <input style="width: 20px;" type="text"/> - <input style="width: 20px;" type="text"/> <input style="width: 20px;" type="text"/> <input style="width: 20px;" type="text"/> <input style="width: 20px;" type="text"/> <input style="width: 20px;" type="text"/>			
<b>Total other credits (add lines 35a through 35c)</b> .....		35	00
<b>36. Total withholding and credits (add lines 30, 31, 32, 33, 34, and 35)</b> .....		36	00
<b>37. Tax due</b> - If line 29 is larger than line 36, subtract line 36 from line 29. <b>This is the amount you owe.</b> (see page 13) .....		37	00
<b>38. Penalty and interest</b> (see page 3) .....		38	00
<b>39. Total amount paid with this return (add lines 37 and 38)</b> .....		39	00
<b>40. Refund</b> - If line 36 is larger than line 29, subtract line 29 from line 36. <b>This is your refund.</b> (see page 13) .....		40	00
Apply my refund to my 1998 taxes. I understand that I will <b>NOT</b> receive a refund this year. (see page 13) .....		● <input style="width: 20px;" type="checkbox"/>	Office Use Only <input style="width: 40px;" type="text"/>

Under penalties of perjury, I declare that to the best of my knowledge and belief, this return and accompanying schedules reflect my true tax status.

Your signature .....	Date signed .....	Occupation .....
Spouse's signature (if filing jointly, both MUST sign even if only one had income) .....	Date signed .....	Occupation .....

<b>Paid Preparer's Section</b>	Paid preparer's signature .....	Date signed .....	Check if self-employed <input style="width: 20px;" type="checkbox"/>	Preparer's Social Security no. _____
	Firm's name (or yours if self-employed) .....	Telephone number .....		E.I. number _____
	Paid preparer's complete address .....	City .....	State .....	ZIP code .....

# Income Tax Schedule - Parts 1, 2, 3

(Attach to your 1997 Utah income tax return)

TC-40A

Rev. 12/97

Taxpayer's last name

Taxpayer's Social Security number

## PART 1: UTAH RESIDENTS ONLY - Credit For Taxes Paid To Another State (use additional TC-40A forms if for more than 2 states)

1. Federal adjusted gross income taxed in state of: .....	1	\$	00
2. Federal adjusted gross income from federal return (see line 4 instructions on page 5) .....	2		00
3. Portion of other state gross income to total income (divide line 1 by line 2 and round to 4 decimal places) .....	3		
4. Utah income tax (line 21 on front of return) .....	4		00
5. Credit limitation (line 4 times decimal on line 3) .....	5		00
6. Actual income tax paid to state shown on line 1 .....	6		00
7. Credit for taxes paid to another state (line 5 or 6, whichever is less). Enter on line 31 on page 2 of return. ....	7	\$	00

If you are claiming a second credit for taxes paid to another state, complete the worksheet below.

If you have more than two claims for this tax credit, obtain additional copies of this schedule.

Add all CREDITS for taxes paid to another state, from line 7 for each state, and enter the total on line 31.

NOTE: You cannot file electronically if there is more than one credit for taxes paid to another state.

1. Federal adjusted gross income taxed in state of: .....	1	\$	00
2. Federal adjusted gross income from federal return (see line 4 instructions, pg. 5) .....	2		00
3. Portion of other state gross income to total income (divide line 1 by line 2 and round to 4 decimal places) .....	3		
4. Utah income tax (line 21 on front of return) .....	4		00
5. Credit limitation (line 4 times decimal on line 3) .....	5		00
6. Actual income tax paid to state shown on line 1 .....	6		00
7. Credit for taxes paid to another state (line 5 or 6, whichever is less). Enter on line 31 on page 2 of return. ....	7	\$	00

**YOU MUST ATTACH A SIGNED COPY OF ALL OTHER STATE INCOME TAX RETURNS FOR WHICH CREDIT IS CLAIMED. ALSO ATTACH THIS SCHEDULE TO YOUR UTAH TAX RETURN.**

## PART 2: For Utah Residents and Non or Part-Year Residents. Retirement Income Exemption/Deduction

Also, see instructions on page 6

1. Retirement Exemption for age 65 or older <input type="checkbox"/> Self <input type="checkbox"/> Spouse Total checked _____ x \$7,500 = .....	1	\$	00
2. Retirement Deduction for under age 65			
	Self	Spouse	
a. Qualified retirement income *	a. \$	\$	
b. Retirement limitation	b. \$ 4,800	\$ 4,800	
c. Enter the lesser of a or b for each column.	c. \$	+\$	
		=	2 \$ 00

If you or your spouse are 65 or older, enter "0." Add "Self" and "Spouse" amounts on line "c." for total.

\* Line 2 is limited to qualifying taxable retirement income up to \$4,800 per retiree and can only be used by the retiree who earned the income (see instructions on page 7). ATTACH ALL FORMS 1099R, SSA-1099, RRB-1099, or other documentation to support your deduction.

3. Total exemption and deduction amount (add lines 1 and 2) .....	3		00
4. Enter federal adjusted gross income from line 4 of state return, plus any lump sum amount from line 6 of your state return, plus any interest on line 8b of federal forms 1040A or 1040	4	\$	00
5. Enter: (a) \$32,000 -- if married filing joint, head of household, or qualifying widow(er) (b) \$16,000 --if married filing separate (c) \$25,000 -- if single	5		00
6. Subtract line 5 from line 4 (if zero or less, enter zero) .....	6		00
7. One-half of line 6 (line 6 divided by 2). If zero or less, enter zero. ....	7		00
8. Subtract line 7 from line 3. This is your retirement exemption/deduction. Enter on line 14 on page 1 of your state return. Do not enter an amount less than zero. ....	8	\$	00

Round to nearest whole dollar.

**ATTACH THIS SCHEDULE TO YOUR UTAH TAX RETURN.**

SEE BACK OF THIS FORM FOR PART 3: NON OR PART-YEAR RESIDENT SECTION.

## TC-40A Continued

### PART 3: **NON OR PART-YEAR RESIDENTS ONLY**- Worksheet to Calculate Utah Income Tax Liability

Complete lines 1 through 4 below

1. Enter the Tax Calculation amount from line 21 of your return ..... \$

2. Complete **columns A & B below**(lines a through h) to determine your Utah income and Total income.

(see instructions and line descriptions below)

	COLUMN A - UTAH INCOME	COLUMN B - TOTAL INCOME
a. Wages, salaries, tips, unemployment, and other employee compensation .....	a \$ <input type="text"/>	<input type="text"/>
b. Dividends and interest income .....	b <input type="text"/>	<input type="text"/>
c. Business and farm income (or loss) .....	c <input type="text"/>	<input type="text"/>
d. Net gain (or loss) from sale or exchange of capital assets .....	d <input type="text"/>	<input type="text"/>
e. Pensions, annuities, rents, royalties, partnership income, or other income .....	e <input type="text"/>	<input type="text"/>
f. Total income (add lines a through e) .....	f \$ <input type="text"/>	<input type="text"/>
g. Adjustments to income (please explain) .....	g <input type="text"/>	<input type="text"/>
h. <b>TOTAL</b> (subtract line g from line f for both COLUMNS A & B). COLUMN B total .....	h \$ <input type="text"/>	<input type="text"/>
must equal the FAGI amount on line 4 of your Utah return. Enter column TOTALS from line h to the corresponding boxes on line 22 on the front of your return.		
	Enter total here and in box "a" on line 22.	Enter total here and in box "b" on line 22.

3. **Utah Income Tax Rate**(divide the **TOTAL** on line h of COLUMN A by the **TOTAL** on line h of COLUMN B) and round to 4 decimal places. Enter the decimal here and in box "c. Utah income tax rate" on line 22 on the front of your Utah income tax return.

Enter decimal here and in box "c" on line 22.

4. **Utah income tax liability** (multiply line 1 by the decimal on line 3 above. This is your 1997 Utah income tax. .... \$   
Enter this amount here and on line 22 of your 1997 Utah income tax return.

## Column Instructions For The Worksheet Above

### Column B - TOTAL INCOME

Column B is for you to record your total income as shown on your federal income tax return. If you used federal forms 1040A, 1040EZ, or Telefile, DO NOT complete lines a through g for COLUMN B. Enter on line h of the worksheet above the amount from federal forms 1040A line 16, 1040EZ line 4, Telefile line H.

If you used federal form 1040, enter corresponding amounts from lines 7 through 22 of your federal form 1040 on lines a through g in COLUMN B of the WORKSHEET above.

### Column A - UTAH INCOME

COLUMN A is for you to record your income from Utah sources on lines a through g of the WORKSHEET above. You are required to complete lines a through g, if they apply, regardless of whether you used federal forms 1040, 1040A, 1040EZ, or Telefile.

**Attach this SCHEDULE, along with your FEDERAL RETURN and SCHEDULES to your Utah tax return.**

## Descriptions For Lines a Through h of the Worksheet Above

### Line a - Wages, Salaries, Tips, Unemployment, and Other Employee Compensation

All income from wages, salaries, tips and other employee compensation for personal services performed in Utah while in a nonresident status, PLUS all such income for personal services performed both within and without Utah while in a resident status must be included in the Utah income column.

### Line b - Dividends and Interest Income

All dividends and interest income received (actually or constructively) while in a resident status must be included in the Utah income column.

### Line c - Net Gain or Loss From Business and Farm Income

Business and farm income (or loss) derived from Utah sources must be entered in the Utah income column. Also, in cases where such income or loss pertains only to the time that you were a Utah resident, ALL such income or loss must be entered in the Utah income column.

### Line d - Sales or Exchange of Capital Assets

Enter in the Utah income column the net gain or loss from the sale or exchange of capital assets derived from Utah sources while in a nonresident status, PLUS all such gain or loss from transactions that occurred while a Utah resident.

### Line e - Pensions, Annuities, Rents, Royalties, Partnership Income and Other Income - Attach Explanation

All pensions and annuities received (actually or constructively) while in a resident status must be included in the Utah income column. All

income or loss from rent and royalties, partnerships, estates, or trusts that was derived from Utah sources must be entered in the Utah income column. Also, when such income pertains only to the time you were a Utah resident, the total amount must be entered in the Utah income column. Enter all other income from Utah sources while in a nonresident status, PLUS all income received while a Utah resident. Use this line to report lump sum distributions (see instructions for line 6). Any such distribution received after you became a Utah resident is Utah income.

### Line f - Total lines a through e from this worksheet.

### Line g - Adjustments to Income

Based on your residency status, enter the amount of each deduction applicable to Utah income. This may include: payments to qualified IRA or KEOGH retirement plans, alimony paid while a Utah resident, and other deductions.

### Line h - Total

Subtract line g from line f. Column B total must equal the federal adjusted gross income (FAGI) on line 4 of your Utah return. Enter the total from line h, COLUMN A to box "a" on line 22 of your Utah income tax return. Enter the total from line h, COLUMN B to box "b" on line 22 of your Utah income tax return.

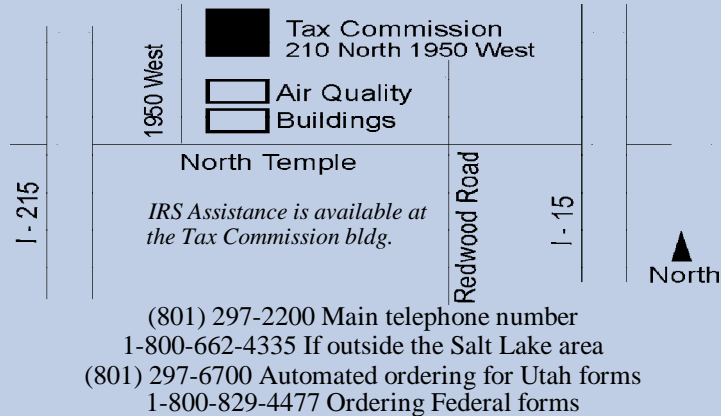


# Things You Should Know

Utah State Tax Commission  
210 North 1950 West  
Salt Lake City, Utah 84134

**Monday - Friday hours, 8:00 a.m. to 5:00 p.m.**

**Saturday hours from April 4 to April 11, 9:00 a.m. to 1:00 p.m.**



If you need an accommodation under the Americans with Disabilities Act, contact the Tax Commission at (801) 297-3811 or Telecommunications Device for the Deaf (801) 297-3819. Please allow three working days for a response.

## WHO MUST FILE

- A. General Requirements:** A Utah income tax return must be filed by:
- every Utah resident who is required to file a federal income tax return;
  - every nonresident or part-year resident having income from Utah sources who is required to file a federal return;
  - taxpayers requesting a refund of any overpayment of income tax regardless of the amount of gross income; or,
  - every resident or nonresident with Utah income that meets the following "Specific Requirements" in paragraph "B" below, even if a federal return is not required.
- B. Specific Requirements:** If you meet any of the criteria shown in the chart below, you must file a Utah income tax return - **even if no federal return was filed.**

Marital Status at end of 1997:	Filing Status:	At end of 1997 you were:	And gross income is at least:
Single	Single	Under 65	\$6,138
		65 or older	\$7,138
	Head of Household	Under 65	\$8,038
		65 or older	\$9,038
Married with dependent child, living apart from spouse during last 6 months of 1997	Head of Household	Under 65	\$8,038
		65 or older	\$9,038
Married, living with spouse at end of 1997 or up to date spouse died	Married joint return	Under 65 (both)	\$10,876
		65 or older (one spouse)	\$11,676
		65 or older (both spouses)	\$12,476
	Married separate return	Any age	\$1,988
Married, not living with spouse at end of 1997 or up to the date spouse died	Married joint or separate return	Any age	\$1,988

If you must file a state return, first complete a federal return as if you were filing with the IRS - information is needed from the federal return to complete the state return. If you are taking the blind exemption on the federal return, you must file a state return, even if your federal tax liability is zero.

## VOLUNTEER INCOME TAX ASSISTANCE

**VITA** volunteers provide tax preparation service to low income, elderly, and disabled taxpayers at various locations throughout the state during income tax season. You may contact the IRS by calling 1-800-829-1040 to find the VITA site nearest you.

## ELECTRONIC FILING

Filing your Utah return electronically provides assurance that:

- your return will be forwarded to the Utah State Tax Commission within 24 hours;
- your return will be acknowledged by the Utah State Tax Commission upon receipt; and,
- your refund will be speedily processed.

## WHO CAN FILE AN ELECTRONIC RETURN?

- Taxpayer must be a full-year Utah resident.
- Taxpayers must file both the federal and state returns electronically and at the same time.
- Taxpayers must be filing an original return for calendar year January 1, 1997 to December 31, 1997. Amended or corrected returns, or returns with a net operating loss, are not allowed.
- Tax return cannot be for a deceased taxpayer or spouse.
- Taxpayers may claim credit for taxes paid to one additional state.

You can obtain assistance preparing your taxes and filing electronically through any professional tax preparer who participates in the Utah Federal/State Electronic Filing Program. If you prepare your own Utah return, a participating tax preparer or electronic filer can accept your completed returns and file them electronically for you.

## TELEFILE FILING

*If you received a State of Utah TELEFILE form to file your state 1997 income tax by telephone, you may be qualified to file by TELEFILE, regardless of whether you filed your federal income tax return by TELEFILE. If you have any questions, please contact the Tax Commission using the numbers on this page.*

## WHEN TO FILE

You must file your return and pay any income tax due:

- by April 15, 1998, if you file on a 1997 calendar year basis (tax year ends December 31st); or,
- by the 15th day of the fourth month following the close of the fiscal year, if you file on a fiscal-year basis.

If your return is **not** filed on time, you may be subject to penalties and interest. (See Penalty and Interest instructions on page 3.)

## EXTENSION OF TIME TO FILE

This is an extension of time to file your tax return - **NOT** an extension of time to pay your taxes. You are automatically allowed an extension of up to six months to file your return.

**However, if the prepayment requirements (see next paragraph)**

*have not been met on or before the original due date (generally April 15th), penalties will be assessed.* (See Penalty and Interest instructions on page 3.)

### PREPAYMENT REQUIREMENTS

The required prepayment must equal 90 percent of the tax due for 1997 or 100 percent of the amount of your 1996 Utah tax liability as indicated on *line 22 of your 1996 Utah return if you filed as a full-year resident or line 23 if you filed as a non or part-year resident.* A prepayment may be in the form of withholding (W-2, TC-675R, TC-675M, etc.), tax credit, and/or payment made on or before the tax due date using form TC-546, Voluntary Prepayment of Income Tax. Interest will be assessed on unpaid tax from the filing due date until the tax is paid in full. Penalties may also be assessed.

### DOMICILE DEFINED

The term "domicile" means the place where an individual has a true, fixed permanent home and principal establishment, and to which place, whenever a person is absent, the person has the intention of returning. It is the place in which a person has voluntarily fixed the habitation of himself and his family, not for a mere special or temporary purpose, but with the present intention of making a permanent home (28 C.J.S. Domicile §1). After a domicile has been established, two conditions are necessary to create a new domicile: first, an abandonment of the old domicile, and second, the intention and establishment of a new domicile. The mere intention to abandon a domicile, once established, is not sufficient to create a new domicile. Before a person can be said to have changed his domicile, even though he manifests an intention to abandon the old domicile, a new domicile must be shown.

### UTAH RESIDENT DEFINED

A Utah resident is an individual who:

1. is domiciled for the entire year in Utah, even though temporarily outside of Utah (temporarily may be an extended period of time - even years in certain situations);
2. is domiciled in Utah for any period of time during the taxable year, but only for the duration of that period; or,
3. even though domiciled outside Utah, maintains a permanent place of abode within the state and spends a total of 183 days or more of the taxable year within Utah. This does not apply to military personnel or their spouses who are in Utah on military assignments, unless they are Utah residents.

### PART-YEAR RESIDENT DEFINED

A part-year resident is an individual who is domiciled in Utah for part of the year and is domiciled outside Utah for part of the year. All income received during the period of Utah residency by a part-year resident is taxable in Utah, regardless of the source of that income. Income from Utah sources is taxable in Utah during the period of nonresidency.

### NONRESIDENT DEFINED

A nonresident individual is one who was not in Utah or who was in Utah for temporary or transitory purposes for less than 183 days during the taxable year. Income received by a nonresident from Utah sources is taxable.

## TAX RETURNS OF DECEASED TAXPAYERS

If an individual dies during the year, but would have been required to file an income tax return, a final return must be filed on his or her behalf. The personal representative, executor, administrator, legal representative, or survivor must sign and file the final return and any other returns still due. The person filing the return should write "DECEASED" after the name of the deceased taxpayer in the name and address section of the return and in the signature block. Persons, other than surviving spouse, claiming a refund on behalf of the deceased, must attach form TC-131, "Statement of Person Claiming Refund Due a Deceased Taxpayer," to the front of this return.

## MILITARY PERSONNEL, NATIVE AMERICANS, AND STUDENTS

Special rules apply to military personnel, Native Americans, and students. They are as follows:

### A. Military Personnel

(If you filed a federal return, you must also file a state return, even though your Utah tax liability may be zero.)

1. Residents: Utah residents who enter military service do not lose their Utah residency or domicile solely by being absent due to military orders. They still must file a resident income tax return in Utah on all income, regardless of the source. If income tax is required to be paid to another state on nonmilitary income, a credit is allowed for the tax paid to the other state. If taxes are owed to another state, refer to line 31 of your state income tax return and complete state form TC-40A, PART 1 included in this booklet.
2. Nonresidents: Nonresidents who are stationed in Utah solely due to military orders, are not subject to tax on their military pay in Utah. However, if nonresident personnel or members of their family residing in Utah have earned income from Utah sources, other than active military service pay, they are required to file a Utah state income tax return and pay any taxes due.

**NOTE:** The spouse of a person in active military service is generally considered to have the military person's domicile and is subject to the same income tax laws and rules that apply to the military person.

### B. Native Americans

1. Native Americans who are domiciled and earn income in Utah, should file a Utah income tax return. *An enrolled member of a Native American tribe or nation in Utah who lives and works on the reservation on which he or she is an enrolled member, is exempt from Utah income tax on income earned on the reservation.*
2. Nonresident Native Americans who are not domiciled on a reservation within Utah, but earn income from Utah sources, must file a Utah income tax return and pay any tax due.

### C. Students

1. Resident Students: A Utah resident who is a student at a non-Utah school (full or part-time) is required to file a Utah return and pay tax on income regardless of the source. If tax is paid to another state refer to line 31 of your state income tax return for credit and complete state form TC-40A, PART 1 included in this booklet.

2. Nonresident Students: A nonresident student who is attending a Utah school is required to file a Utah state income tax return and pay Utah tax for income, such as wages, rental income, business income, etc. earned from Utah sources.

## PENALTY AND INTEREST

### PENALTIES

Utah law provides for uniform tax penalties for failure to file tax returns, failure to pay tax due, and failure to file information returns or supporting schedules. Include penalty and interest on line 38 on this return.

The penalty for failure to file a tax due return by the due date is the greater of \$20 or 10 percent of the unpaid tax. In addition, if a tax balance remains unpaid 90 days after the due date, a second penalty, the greater of \$20 or 10 percent of the tax balance, will be added for failure to pay timely.

The penalty for failure to pay tax due as reported on a timely filed return, or within 30 days of a notice of deficiency, is the greater of \$20 or 10 percent of the tax due.

The penalty for underpayment of an extension prepayment is 2 percent per month of the unpaid tax during the extension period.

For a list of additional penalties that may be imposed, please refer to Utah Code § 59-1-401.

### INTEREST (In addition to penalties due)

Interest will be assessed at the rate prescribed by law from the original due date until any outstanding liability is paid in full. The interest rate for all taxes and fees administered by the Tax Commission for the 1998 calendar year is **8 percent**. For information on applicable interest rates, taxpayers may request form TC-15 by calling or writing the Tax Commission (see telephone and address on page 1).

## ROUNDING OFF TO WHOLE DOLLARS

You must round off cents to the nearest whole dollar. Round down if cents are under 50 cents. Round up if cents are 50 cents and above.

## RECORDKEEPING & DOCUMENTATION

Keep copies of any state forms, worksheets, and other documentation to support any deductions, exemptions, and credits you have claimed for at least three years from the date you file your return. Keep your receipts, records, personal documentation, and worksheets which substantiate the deductions, exemptions, and credits you are claiming on your state return.



# Line-by-Line Instructions

## AMENDED RETURNS

If you need to amend a return for a tax year other than 1997, please use the tax form and instructions for the year you are amending. See page 1 for telephone number to order forms.

### WHEN TO AMEND a 1997 Utah Income Tax Return

1. If there is an error on your state or federal return after it has been filed; or,
2. If your federal return is audited or adjusted by the IRS and the IRS audit or adjustment affects your state return. You must amend your state return within 90 days of the IRS's final determination. If you are unsure whether or not your state taxes are affected by an audit or adjustment, please contact the Tax Commission, using telephone numbers shown on page 1.

An amended return must be filed within three years following the date the original return was due, to qualify for a refund or a credit. An amended return filed before the due date is still considered filed on the due date. If an amended return is required to be filed based on changes made by the IRS, a claim for refund or credit must be made within two years after a Utah amended return was required to be filed.

### HOW To Amend a 1997 Utah Income Tax Return

- A. Check the "AMENDED" box located at the top of the return.
- B. Enter the number in the box from the list below that best corresponds to your "REASON FOR AMENDING".

#### **REASONS FOR AMENDING** (enter number on return)

- 1** You filed an **amended** return with the Internal Revenue Service (you must attach a copy of your amended federal return);
  - 2** You made an **error** on your state return (attach an explanation of the error);
  - 3** Your tax calculation was **changed** by an Internal Revenue Service audit and/or adjustment (attach a copy of the IRS adjustment);
  - 4** You had a **Net Operating Loss**. Utah allows net operating losses to be carried back three years and carried forward fifteen years on state individual income tax returns. If your amended return is the result of a carryback net operating loss, complete an income tax return for each year you are amending (attach a copy of your amended federal return); or
  - 5** Other (attach explanation to return).
- C. Complete the return by entering the corrected figures.
  - D. Enter other amounts shown on your original return. If you received a refund on your original return, enter the total previous refunds on line 28 of the 1997 return. If you paid with the original return or made subsequent payments of the tax prior to filing the amended return, enter the total previous payments on line 33 of the 1997 return. Contributions cannot be changed after original return is filed.

**REMEMBER**, except for the amounts you amend, all amounts you enter on the amended return, must match the your original return.

## NAME, ADDRESS, SOCIAL SECURITY NUMBER, AND LABEL

- a. Provide all taxpayer information requested. Please TYPE or PRINT clearly. Any information not clearly printed or typed, may delay processing of your return.
- b. PREADDRESSED LABEL. If you received a preaddressed label with your state income tax packet, attach the label to the income tax return over the name and address area. **Make sure you include your daytime and evening telephone numbers.** If any part of the label is incorrect, do not use the label - type or print the taxpayer information requested.
- c. **SOCIAL SECURITY NUMBER.** For confidential reasons, **NO Social Security Number will be preprinted on the preaddressed label attached to your income tax booklet. Make sure you write all Social Security Numbers on your return. Your return may be delayed if the Social Security Numbers are missing.**
- d. DECEASED TAXPAYER. If you are filing on behalf of a deceased taxpayer (this includes your deceased spouse), do not use the label. You should type or print the deceased's name and your mailing address and telephone numbers. Write "DECEASED" after the name of the deceased taxpayer. Also see Signature instructions on page 13.

## 1. FILING STATUS

*If you filed a joint federal return, you must file a joint state return, unless the Special Instructions on page 14 apply to you.*

Check the box that matches the filing status shown on your federal return (lines 1 through 5 on federal forms 1040 and 1040A). If you used federal forms 1040EZ or TELEFILE, there is no federal filing status listed. You are still required to select a filing status that corresponds to your federal filing status.

## 2. EXEMPTIONS

- a. Enter "1" if you claim yourself. If someone else, such as a parent, is claiming you as their dependent on their federal return, you must claim "0." If you checked "YES" on line 5 of your 1040EZ or line B of your federal telefile record, enter "0."
- b. Enter a "1" if you claimed your spouse as an exemption on your federal return. If someone else, such as a parent, is claiming your spouse as their dependent on their federal return, you must enter "0."
- c. Enter the number of other dependents claimed on line 6c of the federal return 1040 or 1040A.
- d. Qualified disabled dependent exemption. Taxpayers claiming this exemption must complete form TC-40D, "Disabled Exemption Verification," for each exemption claimed. **Attach new TC-40D(s) to your return each year the exemption is claimed.** Enter the total disabled exemptions.

### Qualifications For Disabled Exemption

#### Infants and Toddlers with Disabilities

#### Ages 0 through 2 years

Infants eligible for the exemption must be qualified for Early Intervention or Infant Development Services for the tax year under guidelines established by the Department of Health. Questions concerning programs for infants may be directed to the Utah Department of Health, Early Intervention

Program, 44 North Medical Drive, SLC, UT 84114-4620, telephone (801) 584-8226 or 1-800-829-8200.

#### School-Age Persons with Disabilities

##### Ages 3 through 21 years

Children eligible for the exemption must be diagnosed by a local school district (under guidelines adopted by the State Board of Education), having a disability classified as: autism, deafness, developmental delay (preschool), dual sensory impairment (deaf/blind), hearing impairment, intellectual disability, multidisability, orthopedic impairment, other health impairment, traumatic brain injury, or visual impairment, AND not currently receiving residential services from the Division of Services to People with Disabilities (Department of Human Services) or from the school for the deaf and blind. Students with learning disabilities, behavior disorders, or communication disorders are not eligible for this exemption. Questions concerning programs for children may be directed to your local school district, local school, or the Utah State Office of Education, 250 E. 500 South, Salt Lake City, Utah 84111, telephone (801) 538-7700.

##### Adults With Disabilities

##### Over age 21 and eligible for services under Title 62A, Chapter 5, Services to People with Disabilities

*In order to qualify for a disability exemption, the individual must be claimed as a dependent on your tax return. Neither the taxpayer nor the taxpayer's spouse qualifies for this exemption.* Individuals eligible for this exemption must meet the guidelines established by the Department of Human Services. A support coordinator from the Division of Services for People with Disabilities is authorized to sign the form TC-40D to certify that the adult with disabilities is either enrolled in division services or qualifies for this exemption. A primary care physician or licensed psychologist familiar with the adult's disabilities may also sign form TC-40D, certifying the person qualifies for this exemption.

Questions concerning programs for adults may be directed to the Utah Department of Human Services, Division of Services for People with Disabilities, 120 N. 200 West, Room 201, Salt Lake City, Utah 84103, telephone (801) 538-4200.

Form TC-40D may be obtained by contacting the Tax Commission at the location or telephone numbers listed on page 1 or by contacting one of the agencies noted above.

- e. Add all exemptions and enter the total.

### **3. ELECTION CAMPAIGN FUND**

If your Utah income tax liability on line 21 (**line 22 if non or part-year resident**) of your Utah income tax return is \$1 or more (\$2 if married filing jointly), you may designate \$1 to be distributed to the campaign fund for the party of your choice. If this is a joint return, your spouse may also designate \$1 to the party of his or her choice. This will not reduce your refund or increase the amount of taxes you owe.

### **4. FEDERAL ADJUSTED GROSS INCOME**

Enter the amount shown as federal adjusted gross income on your federal return. Federal adjusted gross income is located on **line 4 of 1040EZ, line 16 of 1040A, line 32 of 1040, or line H of TeleFile Tax Record.**

### **5. STATE INCOME TAX ITEMIZED ON 1997 FEDERAL SCHEDULE A**

- A. For Federal Adjusted Gross Income LESS than or equal to \$121,200 (or \$60,600 for married filing separate) on line 4 on this return:

If you filed **federal form 1040** and you claimed any income tax paid to Utah, another state, the District of Columbia, or possession of the United States as an itemized deduction on line 5 of federal Schedule A, you must enter the amount claimed as a deduction on line 5 of your Utah income tax return.

- B. For Federal Adjusted Gross Income GREATER than \$121,200 (or \$60,600 for married filing separate) on line 4 on this return:

If you filed **federal form 1040** and you claimed any income tax paid to Utah, another state, the District of Columbia, or possession of the United States as an itemized deduction on line 5 of federal Schedule A, complete the following worksheet to determine the amount to enter on line 5 of your Utah income tax return.

#### **WORKSHEET**

1. Add lines 4, 9, 14, 18, 19, 26, and 27 from federal Schedule A \$ \_\_\_\_\_
2. Add lines 4, 13, and 19, plus any gambling losses included on line 27 of federal Schedule A \_\_\_\_\_
3. Subtract line 2 from line 1. **If your answer is zero, stop here.** The full amount of state taxes claimed as an itemized deduction must be entered on line 5 \_\_\_\_\_
4. Enter the amount from line 28 on federal Schedule A \_\_\_\_\_
5. Subtract line 4 from line 1 \_\_\_\_\_
6. Subtract line 5 from line 3 \_\_\_\_\_
7. Divide line 6 by line 3 (decimal rate) \_\_\_\_\_
8. Multiply the amount on line 5 of federal Schedule A by the rate on line 7. Enter amount here and on line 5 of your Utah income tax return \$ \_\_\_\_\_

### **6. LUMP SUM DISTRIBUTION**

If you received a lump sum distribution and filed federal form 4972, add any amount shown on Part II, line 6 and the amount on Part III, line 10 of federal form 4972.

Shared Distributions: If you shared a lump sum distribution, first multiply the amount on line 10 of form 4972 by the percentage shown in box 9a on your 1099R form. Then add the amount shown on line 6 on form 4972. Enter the results. Attach a copy of federal form 4972 and any 1099R forms showing the distribution. **The 1997 form 4972 was not available at printing, therefore line references may be different.**

## 7. STATE TAXES ALLOCATED FROM AN ESTATE OR TRUST

If state taxes were allocated to you by the fiduciary, include that amount on this line. If a state tax refund was allocated to you by the fiduciary, include that amount as a negative number on this line.

## 8. ADDITIONS TO INCOME FOR MSA, UESP, AND REIMBURSED ADOPTION EXPENSES

- A. **Medical Savings Account (MSA).** The account holder of a MSA should receive a "Statement of Withholding for Utah Medical Savings Account," form TC-675M, from his or her account administrator. Include on this line the sum of lines 8 and 9 from form TC-675M. Attach a copy of form TC-675M to the return. ***If you claimed MSA amounts on federal form 1040, you CANNOT claim MSA amounts on lines 8, 16, 23, or 30 of your state return.***
- B. **Utah Educational Savings Plan (UESP).** The participant in the Utah Educational Savings Plan should receive a "Statement of Withholding for Utah Educational Savings Plan," form TC-675H, from the trustee of the Utah Educational Savings Plan Trust. Enter the amount from line 6 of form TC-675H. Attach a copy of form TC-675H to the return. If you have any questions about UESP, call 1-800-418-2551.
- C. **Adoption Reimbursed Expenses.** Include on this line any adoption expense previously deducted from income for which you received reimbursement from your insurance company, a public welfare agency, or a private charitable organization.

**Check the applicable boxes on line 8 and enter the amounts for each box checked.** Add together MSA, UESP, and Reimbursed Adoption expenses and enter the TOTAL on line 8.

## 9. TOTAL ADJUSTED INCOME (AGI)

### 10. STANDARD/ITEMIZED DEDUCTIONS

*If you itemized your deductions on your federal return, you must use the itemized deduction on your state return.*

**Standard Deductions:** The standard deduction on your Utah income tax return is the same as that allowed on your federal return on **line 35 of 1040 or line 19 of 1040A.**

**1040EZ Standard Deductions:** If you checked "Yes" on line 5 of the federal form 1040EZ, enter the amount from *line E, of the "Worksheet for dependents who checked Yes on line 5" located on the back of form 1040EZ.* If you checked "No," enter \$4,150 if you are single or enter \$6,900 if you are married filing jointly.

**TeleFile Standard Deductions:** Enter the amount from the box titled "Standard Deduction" on line I from your federal Telefile Tax Record.

**Itemized Deductions:** Enter the itemized deduction amount from line 28 of federal Schedule A.

### 11. PERSONAL EXEMPTIONS

The Utah personal exemption is \$1,988 per person (75 percent of the \$2,650 allowed for the federal personal exemption). If your federal adjusted income from line 4 on this return is less than or

equal to the amount in the following AGI TABLE for your filing status, multiply \$1,988 by the number of exemptions claimed in box 2e. Enter the amount on line 11.

AGI TABLE	Filing Status
\$ 90,900	Married-separate
\$121,200	Single
\$151,500	Head of household
\$181,800	Married-joint or Qualifying widow(er)

If your federal adjusted gross income on line 4 exceeds the AGI TABLE amounts for your filing status, you are subject to a reduced personal exemption amount. Multiply your federal exemption amount from line 37 on federal return 1040 by 0.75 and enter the result on line 11.

**NOTE: If your income exceeds the AGI TABLE amounts and you claim a special disabled exemption (line 2d), please complete the following worksheet to determine your state exemption amount.**

#### HIGH-INCOME WORKSHEET FOR DISABLED EXEMPTION

1. Federal form 1040 line 37 x 0.75 = \_\_\_\_\_
2. Number of exemptions from federal form 1040 line 6d \_\_\_\_\_
3. Divide line 1 by line 2. Enter result \_\_\_\_\_
4. Number of state exemptions on line 2e \_\_\_\_\_
5. Multiply line 3 by line 4 and enter result \_\_\_\_\_

**This is your Utah exemption amount. Enter on line 11.**

### 12. ONE-HALF OF THE FEDERAL TAX

Add lines 46, 48, 50, and "Recapture Taxes" included on line 53 from your federal form 1040, or take the amount on line 25 of 1040A, line 10 of 1040EZ, or the box titled "Tax" on line J of the TeleFile Tax Record. Divide that number by two and enter the result.

### 13. STATE TAX REFUND INCLUDED IN FEDERAL INCOME

If you were required to report a state income tax refund on line 10 of your federal form 1040, you can deduct that amount on this line of your state return.

### 14. RETIREMENT INCOME EXEMPTION/ DEDUCTION

**Complete the enclosed state form TC-40A, PART 2 in order to determine your allowable exemption/deduction for retirement income.**

**YOU DO NOT QUALIFY FOR THE UTAH RETIREMENT INCOME DEDUCTION** if (1) you received a lump sum distribution from a "retirement plan" when your employment is terminated prior to meeting your employer's normal retirement requirements; or (2) you received a distribution from a "retirement plan" that is terminated by your employer.

*For example: You decide to go to work for another company. The contributions made to your former employment retirement plan are returned to you when you leave. This distribution would not qualify for the retirement deduction assuming you did not meet your employer's normal retirement requirements. Refer to line 18 instructions on page 8 if you have railroad retirement pension income.*



Check the boxes provided on line 14 if you or your spouse are age 65 or older.

**A. Age 65 or older - Retirement Income Exemption:**

Each taxpayer (you and your spouse, if applicable) who was age 65 or older at the end of the tax year, is entitled to a retirement income exemption of \$7,500. This exemption is limited by the amount of your adjusted gross income plus certain interest income. Section 'C' below explains the limitation.

**B. Under age 65 - Retirement Income Deduction:**

Each taxpayer (you and your spouse, if applicable) who was under age 65 at the end of the tax year and received retirement income, may qualify for a deduction up to \$4,800, but not in excess of the qualifying income. Qualifying income comes in the form of pensions, annuities or **taxable social security** benefits. The deduction is only available to the taxpayer who earned the qualifying income. Pensions and annuities of one spouse that qualify as retirement income **MAY NOT** be divided between both spouses. The deduction is limited by the amount of your adjusted gross income plus certain interest income. Section 'C' below explains the limitation.

1. Qualifying income for those **UNDER** age 65: The following items are considered to be "retirement income" for determining this deduction: Pensions, annuities and taxable social security benefits:
  - a. Paid from an annuity contract purchased under a plan which has been contributed to by your employer and is not revocable by you as provided under Section 404(a) of the Internal Revenue Code;
  - b. Purchased by an employee under a plan which meets the requirements of Section 408 of the Internal Revenue Code (commonly known as "IRA" plans);
  - c. Paid by the United States, a state thereof, or the District of Columbia;
  - d. Taxable social security benefits only if included in your federal adjusted gross income.
2. Note: Disbursements from deferred compensation plans such as 401K and 457 plans are not qualifying income for the deduction.

**C. Exemption/Deduction Limitation:** As required by law, your retirement exemption/deduction will be reduced by 50 cents for each \$1 of adjusted gross income from line 4 of the Utah return plus any lump sum amount on line 6 of the Utah return, plus any interest on line 8b of federal forms 1040A or 1040 that exceed the amounts listed below.

- (a) \$32,000 -- married filing joint, head of household, or qualifying widow(er)
- (b) \$16,000 -- married filing separate
- (c) \$25,000 -- single

**NOTE: ALL TAXPAYERS UNDER AGE 65 CLAIMING A RETIREMENT INCOME DEDUCTION ARE REQUIRED TO ATTACH COPIES OF ALL FORMS 1099R, SSA-1099, OR OTHER DOCUMENTATION TO SUPPORT THE RETIREMENT INCOME DEDUCTION.**

## **15. INTEREST FROM U.S. GOVERNMENT OBLIGATIONS**

*For details regarding the tax exempt treatment of U.S. securities and obligations, you may order the Tax Commission Publication 33, "Interest from U.S. Obligations."*

You may deduct the amount of interest or dividend income from qualified U.S. obligations included in your federal adjusted gross income as outlined in section A below. *Before claiming this exemption, you must first subtract expenses, as outlined in section B below.*

**A. Qualified U.S. Government Obligations**

Income, including trust income distributed to a beneficiary, from the following sources, is exempt from Utah income tax under federal law: interest income on bonds (such as H, HH, E, or EE bonds) or other obligations of the U. S. government or its possessions; and interest or dividends on bonds or securities of any United States authority, commission, or instrumentality exempt from state income taxes under federal law (see Test For Qualifying U.S. Obligations below).

If the income is paid out of a trust, include with your return a schedule showing the calculation of income. Include the name, residency, and federal identification number of the trust making the distribution.

*Income **NOT** exempt from Utah state income tax includes:*

*(1) interest or dividends from Federal National Mortgage Association (FNMA) and Government National Mortgage Association (GNMA); and (2) interest on refunds from the Internal Revenue Service or any federal agency or department.*

**B. Subtract Expenses For Qualified U.S. Government Obligations.**

Before entering the U.S. Qualified Government Obligations income as a deduction on your state return, you must first subtract certain expenses if those expenses were claimed as deductions on your federal return to calculate your federal taxable income. Those expenses are: interest expense on money borrowed to purchase or carry bonds or securities; and ordinary and necessary expenses paid or incurred in connection with producing exempt income.

### **TEST FOR QUALIFYING U.S. OBLIGATION EXEMPT FROM STATE TAX**

Smith vs. Davis 323 U.S. 111 (1944): The U.S. Supreme Court in Smith vs. Davis has set forth the Smith test as a basis for determining whether instruments qualify as U.S. government obligations. To qualify as a U.S. government obligation exempt from state taxation, the instruments must (1) be written documents, (2) bear interest, (3) contain a binding promise by the United States to pay specific sums at specified dates, and (4) have congressional authorization that also pledges the full faith and credit of the United States in support of the promise to pay. The constitutional doctrine of intergovernmental immunity exempts federal obligations from state and local tax authority when obligations are issued to secure credit to carry on the necessary functions of government.

## 16. MSA AND UESP DEDUCTION

- A. **Medical Savings Account (MSA).** *If you claimed MSA amounts on federal form 1040, you CANNOT claim MSA amounts on lines 8, 16, 23, or 30 of your state return.* The account holder of an MSA should receive a "Statement of Withholding for Utah Medical Savings Account," form TC-675M, from his or her account administrator. Include on this line the sum of lines 5 and 6 from form TC-675M. Attach a copy of form TC-675M to the return.
- B. **Utah Educational Savings Plan (UESP).** The participant in the Utah Educational Savings Plan should receive a "Statement of Withholding For Utah Educational Savings Plan," form TC-675H, from the trustee of the Utah Educational Savings Plan Trust. Include on this line the amount on line 4 from form TC-675H. Attach a copy of form TC-675H to the return. If you have any questions about UESP, call 1-800-418-2551.

**Check the applicable boxes on line 16 and enter the amounts for each box checked.** Add together MSA and UESP deductions and enter the TOTAL on line 16.

## 17. HEALTH CARE INSURANCE PREMIUM DEDUCTION

Qualifying taxpayers may include 60 percent of the amounts paid by the taxpayer for health insurance during the taxable year for the taxpayer, spouse, and dependents.

Taxpayers may NOT take a deduction: (1) for premiums paid for health insurance if the premiums were deductible under Section 125, 162, or 213 of the Internal Revenue Code; (2) for premiums reimbursed or funded in part or in whole, by the federal government, the state, or any agency or instrumentality of the federal government or the state; or (3) if the taxpayer or taxpayer's spouse is eligible to participate in a health plan maintained and funded, in part or whole, by his or her employer.

### WORKSHEET

1. Enter any amount from federal form 1040, line 27 \$ \_\_\_\_\_
2. If the amount listed on federal Schedule A, line 4 is ZERO or if no federal Schedule A:
  - (a) Subtract line 1 from your total qualifying health care insurance premium expenses and enter the result \$ \_\_\_\_\_
  - (b) Multiply the amount on 2(a) above by .60 and enter the results on line 17 of your Utah return. DO NOT COMPLETE THE REST OF THE WORKSHEET \$ \_\_\_\_\_
3. If the amount listed on federal Schedule A, line 4 is greater than ZERO:
  - (a) Enter the amount from federal Schedule A, line 4 \$ \_\_\_\_\_
  - (b) Enter the total of your qualifying health care insurance premium expenses. \$ \_\_\_\_\_
  - (c) Enter the total of your medical expenses excluding qualified health care insurance premiums \$ \_\_\_\_\_
  - (d) Total medical expenses-add lines 3(b) and 3(c) \$ \_\_\_\_\_
  - (e) Divide line 3(b) by line 3(d). (decimal rate) \_\_\_\_\_
  - (f) Multiply line 3(a) by rate on line 3(e) \$ \_\_\_\_\_
4. Add lines 1 and 3(f) and subtract the sum from 3(b) \$ \_\_\_\_\_
5. Multiply line 4 by .60. This is your health care insurance premium deduction. \$ \_\_\_\_\_  
Enter on line 17.

## 18. OTHER DEDUCTIONS

**Check the applicable boxes on line 18 and enter the amounts for each box checked.** Attach a schedule or explanation of any other deductions made on line 18.

- A. **Adoption Expenses:** This deduction applies to the actual qualified adoption expenses of the birth mother, the legal guardian of the birth mother (or another acting on behalf of the birth mother), or the adoptive parents. Expenses include any medical and hospital expenses of the birth mother of the adopted child that are incidental to the child's birth, living expenses of the birth mother (if paid by the adoptive parents as part of their adoption expenses); actual travel costs incurred exclusively for the purpose of completing adoption arrangements, and any welfare agency, child placement service, legal and other fees or costs relating to the adoption. *Qualified adoption expenses may be deducted regardless of whether the adoption process is terminated. Qualified adoption expenses must be deducted in the tax year in which the expenses are paid. Keep all personal records, forms, and worksheets to support your deduction.*
- B. **Railroad Retirement Pensions:** If you received railroad retirement benefits paid by the Railroad Retirement Board which have been reported on form RRB 1099 as Tier I or Tier II income, that income can be excluded from Utah taxable income. If railroad retirement pensions are deducted on line 14, do not deduct again on line 18. If you received pension payments under the Railroad Retirement Act and are required to report all or part of the amount received (Tier I, Tier II, or both) as income on lines 16b and/or 20b on federal form 1040, you may deduct that amount from Utah income. If other amounts are entered on lines 16b and/or 20b, deduct only the railroad retirement amounts reported on lines 16b and/or 20b of the federal form.
- C. **Native American Income:** An enrolled member of a Native American tribe in Utah who lives and works on the reservation on which he/she is an enrolled member is exempt from Utah income tax on the reservation income. Enter the exempt income that is included in your federal adjusted gross income, and attach a statement giving the name of the nation or tribe and the enrolled or census number.
- D. **Other:** This may include equitable adjustments.

## 19. TOTAL DEDUCTIONS

## 20. UTAH 1997 TAXABLE INCOME

## 21. UTAH INCOME TAX CALCULATED IMPORTANT - PLEASE READ

**UTAH RESIDENTS:** Complete the Tax Calculation Worksheet on page 16 using the 1997 Taxable Income amount on line 20. The results from the worksheet will be your Utah tax liability.

**NON OR PART-YEAR RESIDENTS:** To calculate the income tax you owe to Utah, you must follow the instructions for line 22. **Attach a copy of your federal return and schedules.**



# RAPID INSTRUCTIONS

*The RAPID instructions are intended to help taxpayers, who do not expect to claim any major deductions and credits, quickly report their income and calculate their tax liability.*

*Use the line references -*

1. If you were a full-year Utah resident (not a non or part-year resident)
2. If you do not owe taxes to another state;
3. If you do not have MSA penalties or sales and use taxes;
4. If you did not itemize your deductions on your federal return;
5. If you did not claim a Net Operating Loss (NOL) on your federal return;
6. If you are not claiming any credits other than those for taxes withheld for your W-2, 1099, prepaid taxes, or previous year's refund applied to 1997 tax liability.

## *Line by Line Instructions Reference*

- |          |  |
|----------|--|
| Line 1.  | Filing status (page 4)                                   |
| Line 2.  | Exemptions (page 4)                                      |
| Line 3.  | Election campaign fund (page 5)                          |
| Line 4.  | Federal adjusted gross income (page 5)                   |
| Line 6.  | Entire lump sum distribution - if applicable (page 5)    |
| Line 9.  | <b>TOTAL ADJUSTED INCOME</b>                             |
| Line 10. | Standard deduction (page 6)                              |
| Line 11. | Personal exemption (page 6)                              |
| Line 12. | One-half of the federal tax liability deduction (page 6) |
| Line 19. | <b>TOTAL DEDUCTIONS</b>                                  |
| Line 20. | Utah 1997 taxable income (page 8)                        |
| Line 21. | Calculate income tax (page 8 and worksheet on page 16)   |
| Line 25. | <b>SUBTOTAL - UTAH INCOME TAX</b> (page 9)               |
| Line 26. | Enter amount from line 25                                |
| Line 27. | Contributions (page 9)                                   |
| Line 29. | <b>TOTAL TAX AND CONTRIBUTIONS</b>                       |
| Line 30. | Utah Tax Withheld (page 10)                              |
| Line 32. | Credit for Utah income taxes prepaid (page 10)           |
| Line 36. | <b>TOTAL WITHHOLDING AND CREDITS</b>                     |
| Line 37. | <b><u>TAX DUE</u></b> (page 13)                          |
| Line 38. | Penalty and interest (page 3 and 13)                     |
| Line 39. | Total amount paid with this return (page 13)             |
| Line 40. | <b><u>REFUND</u></b> (page 13)                           |

## 22. NONRESIDENT AND PART-YEAR RESIDENT ONLY

**STEP 1:** You MUST FIRST calculate your tax on line 21 by using the 1997 taxable income on line 20 and the Tax Calculation Worksheet on page 16.

**STEP 2:** Once STEP 1 is completed, use Utah form TC-40A, included in this booklet, and complete PART 3 - Non or Part-Year Residents Only - Worksheet To Calculate Utah Income Tax Liability. Instructions are included on the form TC-40A, PART 3.

## 23. MEDICAL SAVINGS ACCOUNT (MSA) PENALTY

Enter the penalty amount for MSA nonmedical distributions from line 12 of your "Statement of Withholding For Utah Medical Savings Account," form TC-675M. ***If you claimed MSA amounts on federal form 1040, you CANNOT claim MSA amounts on lines 8, 16, 23, or 30 of your state return.***

## 24. UTAH USE TAX

Utah residents who purchase items or services outside Utah for use or consumption in Utah, and do not pay sales tax on those items, or pay sales tax at a lower rate than the required sales tax rate for the area where they reside, must pay the tax on the purchase price at the rate applicable to the area they reside.

**For example,** if you live in a city with a sales and use tax rate of 6%, and you purchased an item outside Utah from a mail order catalog for a price of \$100, the sales tax due on that item is \$6. If the vendor, outside Utah, did not collect the \$6 sales tax to be distributed to Utah, you would be liable to pay that amount on this income tax return. **Or,** if sales tax was collected at 5% or \$5, which is less than the rate in this example, you will be liable for an additional \$1.

*If you owe sales and use tax, you will need to contact the Tax Commission or your local government to determine what the sales tax rate is for your location. You then should complete the worksheet below to determine whether you are liable for use tax. (No credit is given for taxes paid in foreign countries.)*

### WORKSHEET FOR COMPUTING UTAH USE TAX

(Retain this worksheet for your records.)

1. Total amount of purchases subject to use tax \$ \_\_\_\_\_
2. Use tax rate (decimal) x \_\_\_\_\_
3. Use tax (multiply line 1 by line 2) \$ \_\_\_\_\_
4. Credit for tax paid \$ \_\_\_\_\_
5. Amount of use tax due (line 3 less line 4) Enter ZERO if less than ZERO \$ \_\_\_\_\_

## 25. SUBTOTAL - UTAH INCOME TAX, MSA PENALTY AND USE TAX

### IMPORTANT - PLEASE READ

***This total is NOT your tax due or refund. You MUST also complete lines 26 through 40 on the back of your return.***

**UTAH RESIDENTS:** Add lines 21, 23, and 24

**NON OR PART-YEAR RESIDENTS:** Add lines 22, 23, and 24.

**CONTINUE ON THE BACK OF RETURN.**

## 26. ENTER AMOUNT FROM LINE 25

## 27. CONTRIBUTIONS

*Taxpayers may contribute to the following approved funds. Descriptions of the approved funds are provided below.*

**27a. UTAH HOMELESS TRUST FUND:** *Contribute \$2 or more.* Contributions provide funds to the Homeless Trust Fund for services and programs statewide to help Utahns become self-sufficient. For information contact the Utah Dept. of Community and Economic Development, 324 S State, Suite 500, SLC, UT 84111, telephone (801) 538-8723.

**27b. KURT OSCARSON CHILDREN'S ORGAN TRANSPLANT TRUST FUND:** *Contribute \$1 or more.* Contributions provide financial assistance to the families of children in need of organ transplants. For information contact the Utah Health Policy Commission, 288 N 1460 W, Salt Lake City, Utah 84114-2922, telephone (801) 538-6970.

**27c. UTAH NONGAME WILDLIFE FUND:** *Contribute \$1 or more.* Contributions provide funding to the Utah Division of Wildlife Resources for management, preservation, protection, and perpetuation of nongame wildlife species. For information contact the Utah Division of Wildlife Resources, 1594 W North Temple, Salt Lake City, Utah 84116, telephone (801) 538-4765.

**27d. STATE BOARD OF REGENTS (STATE COLLEGES AND UNIVERSITIES):** *Contribute \$1 or more.* Contributions provide funds to the Utah State Board of Regents to help fund libraries and library equipment. Indicate to which college or university you would like your contribution applied by entering the corresponding code in the box provided. **If you contribute, you must specify one of the following college or university codes.**

Code	Code
01 College of Eastern Utah	06 University of Utah
02 Dixie College	07 Utah State University
03 S. L. Community College	08 Utah Valley State College
04 Snow College	09 Weber State University
05 Southern Utah University	

**27e. NONPROFIT SCHOOL DISTRICT FOUNDATION:** *Contribute \$1 or more.* Contributions provide funds to school district foundations, which are private, nonprofit entities established to promote: (1) partnership activities between schools and communities; (2) charitable giving activities that can be dedicated to specific educational programs; and (3) opportunities for scientific, educational, literary, and improvement objectives. Indicate to which school district you would like your contribution applied by entering the corresponding code in the box provided. **If you contribute, you must specify one of the following school district codes.**

Code	Code	Code	Code
01 Alpine	11 Grand	21 Nebo	31 Sevier
02 Beaver	12 Granite	22 North Sanpete	32 S. Sanpete
03 Box Elder	13 Iron	23 North Summit	33 S. Summit
04 Cache	14 Jordan	24 Ogden	34 Tintic
05 Carbon	15 Juab	25 Park City	35 Tooele
06 Daggett	16 Kane	26 Piute	36 Uintah
07 Davis	17 Logan	27 Provo	37 Wasatch
08 Duchesne	18 Millard	28 Rich	38 Washington
09 Emery	19 Morgan	29 Salt Lake City	39 Wayne
10 Garfield	20 Murray	30 San Juan	40 Weber
	41 Utah Assistive Technology Chapter		

## 28. AMENDED RETURNS ONLY - PREVIOUS REFUNDS

This line is used only for amended returns. When filing an amended return, enter the amount of all refunds, credits, or offsets of state income tax received for the tax year being amended. You should exclude refund interest from this amount. This amount is then added into your total tax and contributions.

## 29. TOTAL TAX AND CONTRIBUTIONS

### 30. UTAH INCOME TAX WITHHELD

Enter the total amount of all **UTAH TAX WITHHELD** shown on all of your W-2 forms, box 18, and/or 1099 forms, or from any other form showing taxes withheld for 1997. **DO NOT** include amounts entered on line 35c, Nonresident Shareholder's Withholding Tax Credit.

Include on this line any penalty amount listed on line 12 of form TC-675M, "Statement of Withholding For Medical Savings Account," as a prepaid penalty. You **MUST** attach your withholding forms, including form TC-675M, to the front of the return as indicated in order to receive credit for the amount of withholding you claim. ***If you claimed MSA amounts on federal form 1040, you CANNOT claim MSA amounts on lines 8, 16, 23, or 30 of your state return.***

### 31. UTAH RESIDENTS ONLY - CREDIT FOR INCOME TAX PAID TO ANOTHER STATE

As a Utah resident you must report all of your income regardless of where earned. If you are also taxed by another state, the District of Columbia, or a possession of the United States, you are entitled to a credit against your Utah income tax.

To calculate the credit for taxes paid to other states, complete the state form TC-40A, PART 1, included in this booklet. If there are more than two states, use additional copies of TC-40A. **YOU MUST ALSO ATTACH A SIGNED COPY OF EACH STATE'S INCOME TAX RETURN FOR WHICH CREDIT IS CLAIMED.**

### 32. CREDIT FOR UTAH INCOME TAXES PREPAID

Prepayments include prepayments you made using form TC-546, "Voluntary Prepayment of Income Tax," and funds from previous year's refund applied as a credit to your current tax liability.

### 33. AMENDED RETURNS ONLY - PREVIOUS PAYMENTS

This line should only be used for amended returns. When filing an amended return, enter the amount of tax paid with the original return and/or subsequent payments of the tax prior to filing this amended return.

### 34. NONREFUNDABLE CREDITS

#### **IMPORTANT- PLEASE READ**

**UTAH RESIDENTS:** If you are a full-year Utah resident, the sum of your nonrefundable credits **cannot be greater** than the amount on **line 21 less line 31**. *(Subtract line 31 from line 21)*

**NON OR PART-YEAR RESIDENTS:** If you are a nonresident or part-year resident, the sum of your nonrefundable credits **cannot be greater** than the amount on **line 22**.

*Nonrefundable credits can bring your tax liability to zero, but cannot result in a refund.*

#### 34a. **Energy Systems Installation Credit**

To qualify for the energy credit, you must have installed an active or passive solar system, a wind system, a hydroenergy system, or a biomass system during the tax period. *Insulation, storm windows, storm doors and other energy saving devices not mentioned above do not qualify for this credit.*

The credit for **residential** units is 25 percent of the cost of the energy system, not to exceed \$2,000 per residential unit. The credit for **commercial** units is 10 percent of the cost of the system, not to exceed \$50,000 per commercial unit. You must attach a copy of form TC-40E, "Utah Energy Tax Credit for Energy Systems Installation" showing your computation, and the approval seal from the Utah Energy Office that the system has been installed and is a viable system for saving energy.

The energy systems installation credit is nonrefundable. The amount of the qualifying credit that may be claimed is limited to the amount of Utah income tax due. Any unused credit may be carried forward for up to four years to offset any future year's tax liability. Enter the amount on line 34a.

You may obtain form TC-40E and a systems certification from the Office of Energy & Resource Planning, 1594 W North Temple, Suite 3610, SLC, UT 84114, telephone (801) 538-5428. For additional information see the instructions on form TC-40E.

#### 34b. **Clean Fuel Alternative Credit**

This is a nonrefundable tax credit of 10 percent (*up to \$50*) of the total of the purchase cost and installation services cost of EPA certified pellet burning stoves, high mass wood stoves, solid fuel burning devices, and natural gas or propane free standing fireplaces or inserts. Enter the amount on line 34b. For detailed instructions regarding the eligibility of a particular stove or fireplace, please see Form TC-40F, "Clean Fuel Alternative Tax Credit," or contact the Division of Air Quality, Department of Environmental Quality, 1950 W North Temple, SLC, UT 84114-4820; telephone (801) 536-4000. You must attach Form TC-40F, showing the amount of credit you are claiming and the Division of Air Quality certification, to your return.

#### 34c. **Clean Fuel Vehicle Credit**

This is a nonrefundable tax credit of: 20 percent (*up to \$500*) for the purchase of each new vehicle registered in Utah for the first time that is fueled by propane, natural gas, or electricity; 20 percent (*up to \$400*) equipment cost to convert vehicles to be fueled by propane, natural gas, or electricity; and 20 percent (*up to \$500*) equipment cost to convert special fuel mobile equipment to be fueled by propane, natural gas, or electricity. Enter the amount on line 34c. For detailed instructions regarding the eligibility of a particular vehicle for this tax credit, please see Form TC-40V, "Clean Fuel Vehicle Tax Credit," or contact the Division of Air Quality, Department of Environmental Quality, 1950 W North Temple, SLC, UT 84114-4820; telephone (801) 536-4000. Attach Form TC-40V, showing the credit amount and the Division of Air Quality certification.

#### 34d. **Historic Preservation Tax Credit**

This is a nonrefundable tax credit of 20 percent of qualified rehabilitation expenditures costing more than \$10,000 incurred in connection with any residential certified historic building.

Unused credits may be carried forward five years as a credit against Utah tax due. Enter the amount on line 34d. For detailed information regarding the eligibility of a rehabilitation project for this tax credit, please contact the State Historic Preservation Office, 300 Rio Grande, SLC, UT 84101; telephone (801) 533-3563. You must attach form TC-40H, Historic Preservation Tax Credit, showing the amount of credit you are claiming and the State Historic Preservation Office certification, to your return.

#### 34e. **Enterprise Zone Credit**

*All enterprise zone credits will be subject to audit and will require verification upon request.*

Tax incentives described herein are available only to business firms meeting the following qualifications:

1. At least 51 percent of the employees at facilities of the firm located in the enterprise zone are individuals who, at the time of employment, reside in the enterprise zone; and,
2. The primary activity of the business must lie within standard industrial and telemarketing codes 2011 through 3999, 4221 through 4231, 5093, 7371 through 7375, 7379, 7389, 7629, 7692, 7694, and 7699 as set forth in the 1987 Revision of the Standard Industrial Classification Manual.

The following state tax credits are applicable to qualifying businesses in an enterprise zone.

1. A credit of \$750 for each new full-time position filled for not less than six months during a tax year.
2. An additional \$500 tax credit if the new position pays at least 125 percent of the county average monthly nonagricultural payroll wage for the respective industry as determined by the Department of Workforce Services. If this information is not available, the job must pay at least 125 percent of the total average monthly nonagricultural payroll wage in the respective county where the enterprise is located.
3. An additional credit of \$750 may be claimed if the new position is in a business that adds value to agricultural commodities through manufacturing or processing.
4. An additional \$200 credit may be claimed for two consecutive years for each new employee who is insured under an employer-sponsored health insurance program, if the employer pays at least 50 percent of the premium cost for two consecutive years.

*NOTE: Construction jobs and businesses engaged in retail trade or public utilities, are not eligible for the tax credits in paragraphs 1 - 4.*

5. A 50 percent credit for cash contributions, not to exceed \$100,000, made to a private nonprofit corporation that is exempt from federal income tax under Section 501(c)(3) of the IRS Code, whose primary purpose is community and economic development, and is accredited by the Utah Rural Development Council Board of Directors.
6. A 25 percent credit of the first \$200,000 spent on rehabilitating a building, vacant for two years, in the enterprise zone.

7. An annual investment tax credit of 10 percent of the first \$250,000 investment and 5 percent of the next \$1,000,000 qualifying investment in plant, equipment, or other depreciable property.

A business claiming a credit under paragraphs 1 - 4, may claim a credit for 30 full-time employee positions or less in each of its taxable years.

A business may claim an additional credit for a full-time employee position under paragraphs 1 - 4 above if:

- a. the business creates a new full-time employee position;
- b. the total number of full-time employee positions is greater than the number of full-time employee positions previously claimed by the business under paragraph 1 - 4; and
- c. the total number of credits claimed for its current taxable year, including the new full-time employee positions being claimed as a credit, is less than or equal to 30.

*Tax credits not claimed by a business on its state income tax return within three years are forfeited. (Utah Code 9-2-401 through 9-2-414)*

If Enterprise Zone credits are being taken on your ownership in a partnership or S-corporation, you must allocate the above calculated credits based on your respective percentage of ownership.

Department of Community and Economic Development, 324 S State Street, SLC, UT 84111, telephone (801) 538-8782.

#### 34f. **Qualified Sheltered Workshop Cash Contribution Credit**

Cash contributions made within the tax year to a nonprofit rehabilitation sheltered workshop facility for the handicapped operating in Utah and certified by the Department of Human Services as a qualifying facility, are eligible for a credit against Utah income taxes. **Check with the workshop to make sure they are a qualified sheltered workshop.** The credit is equal to 50 percent of the total of cash contributions, not to exceed \$200. Contributions claimed as a tax credit under this section may not also be claimed as a charitable deduction in determining net taxable income (Utah Code 59-10-108). Enter amount and qualified workshop name on line 34f.

#### 34g. **Low Income Housing Credit**

This is a nonrefundable tax credit in an amount determined by the Utah Housing Finance Agency, for any housing sponsor that has received an allocation of the federal low-income housing tax credit and any applicant for an allocation of the federal low-income housing tax credit. Unused credits may be carried back three years or carried forward five years. Enter the amount on line 34g. For detailed instructions regarding the eligibility of a building for this tax credit, please contact the Utah Housing Finance Agency, 177 E 100 S, SLC, UT, telephone (801) 521-6950. You must attach forms TC-40TCAC, "Utah Low-Income Housing Tax Credit Allocation Certification," and TC-40LI, "Summary of Utah Low-Income Housing Tax Credit," to your return. If you are carrying this credit forward or backward, you must also attach form TC-40LIC, "Utah Low-Income Housing Tax Credit Carryback and/or Carryforward," to your return.

#### **34h. Tax Credit For Employers Who Hire Persons With Disabilities**

This is a nonrefundable tax credit for employers based on amounts paid to individuals with disabilities hired by the employer.

The credit applies only to amounts paid to individuals with disabilities. Individuals with disabilities are defined as individuals who: (1) have been receiving services from a day-training program for persons with disabilities, which is certified by the Department of Human Services as a qualifying program for at least six consecutive months prior to working for the employer claiming the tax credit; or (2) are eligible for services from the Division of Services for People with Disabilities at the time the individuals begin working for the employer claiming the tax credit.

An employer qualifies for this credit only if the individual with a disability: (1) works in this state for at least 6 months in a taxable year for that employer; and (2) is paid at least minimum wage by that employer.

The credit authorized by law shall be in an amount equal to 10 percent of the gross wages earned in the first six months of employment by the individual with a disability, and 20 percent of the gross wages earned in the remaining taxable year by the individual with a disability.

The credit taken by an employer is limited to \$3,000 per year per individual with a disability.

The credit is allowed only for the first two years the individual with a disability is employed by the employer.

Enter the amount on line 34h. Credit amounts greater than the Utah tax liability in the tax year in which the credit is earned may be carried forward to each of the following two tax years. Carryforward credits shall be applied against the tax liability of any year before the application of any credits earned in the tax year.

Employers must attach to the return, form TC-40HD, "Tax Credit for Employers Who Hire Persons with Disabilities," showing the Division of Services for People with Disabilities certification, and the amount they are claiming.

#### **34i. Recycling Market Development Zones**

For tax years beginning January 1, 1996 and ending December 31, 2000, the Utah Legislature has authorized a nonrefundable tax credit to individuals in a recycling market development zone as defined in Utah Code 9-2-1602. The credit consists of: (a) 5 percent of the purchase price paid during the taxable year for machinery and equipment used directly in commercial composting, or manufacturing facilities or plant units that manufacture recycled items or reduce postconsumer waste material; and (b) 20 percent of net expenditures, up to a maximum credit of \$2,000, to third parties for rent, wages, supplies, tools, test inventory, and utilities made by the taxpayer for establishing and operating recycling or composting technology in Utah.

The total credit allowed may not exceed 40 percent of the entity's Utah tax liability. Enter the amount on line 34i.

Any amount of the tax credit attributed to the purchase of machinery and equipment that exceeds the current year tax liability, may be carried FORWARD three years as a credit against Utah tax due.

For detailed instructions regarding the eligibility of particular equipment and expenses for this tax credit, please see form TC-40R, "Recycling Market Development Zone Tax Credit," or contact the Department of Community and Economic Development, 324 So. State St., SLC, UT 84111, (801) 538-8872. You must attach form TC-40R, showing the Department of Community and Economic Development certification for machinery and equipment purchases and the amount you are claiming as a credit, to your return.

#### **34j. Tutoring Tax Credit For Disabled Dependents**

This is a nonrefundable tax credit of 25 percent, up to \$100, of the cost paid by the taxpayer for tutoring a disabled dependent.

A "disabled dependent" is defined as a person who: (1) is disabled under Utah Code Section 53A-15-301; (2) attends a public or private kindergarten, elementary, or secondary school; and (3) is eligible to receive disability program monies under Utah Code Section 53A-17a-111.

"Tutoring," for purposes of this credit means educational services approved by an individual education plan team and provided to a disabled dependent that supplements classroom instruction the disabled dependent receives at a public or private kindergarten, elementary, or secondary school in the state.

Tutoring does not include: (1) purchases of instructional books and materials; and (2) payments for attendance at extracurricular activities, including sporting events, musical or dramatic events, speech activities, or driver education. Enter the credit on line 34j.

For more information regarding the tutoring tax credit for disabled dependents, please contact the Utah State Board of Education at (801) 538-7700.

### **35. OTHER CREDITS**

Enter on this line the total of "Other Credits" as described below.

#### **35a. Mineral Production Withholding Tax Credit**

Enter on line 35a the total of the mineral production tax withheld as shown on forms TC-675R or federal schedule K-1(s) for 1997. Be sure to attach copies of form TC-675R or K-1 to the return to receive proper credit. (Include with other W-2 and 1099 forms.)

#### **35b. Credit for Agricultural Off-Highway Gasoline and Undyed Diesel Tax**

This credit is only for fuel purchased *in Utah* to operate stationary farm machinery used solely for commercial nonhighway agricultural use that was taxed at the time of purchase. Activities that would NOT qualify for this credit include, but are not limited to, the following: Golf courses, horse racing, boat operations, highway seeding, vehicles registered for highway use, hobbies, farming for personal use, etc.



FUEL WORKSHEET

**35c. NON OR PART-YEAR RESIDENTS ONLY.**

## 13

## **SPECIAL INSTRUCTIONS**

**STEP ONE: To file using Special Instructions, one spouse must be a full-year Utah resident and the other spouse must be a nonresident or part-year resident.**

EXAMPLE: Sally moved to Utah in 1996. Her husband, Brian, did not move to Utah until June of 1997. This couple qualifies to use Special Instructions for calendar tax year 1997 because Sally is a full-year resident and Brian is a part-year resident during 1997.

EXAMPLE: Doug moved to Utah in May of 1997. His wife, Marleen, does not plan to move to Utah. She decided to remain in Washington. They filed a joint federal return for calendar tax year 1997. They do not qualify for Special Instructions until tax year 1998 because Doug is only a part-year resident in 1997 and Marleen is a nonresident of Utah. The same filing status claimed on their 1997 federal return must be used on their state return. They would qualify for Special Instructions for tax year 1998 if Doug is a full-year resident and Marleen remains a nonresident during calendar year 1998.

### **NOTE FOR MILITARY PERSONNEL**

The spouse of a person in active military service is generally considered to have the military person's domicile and is subject to the same income tax laws and rules that apply to the military person. Nonresidents who are stationed in Utah solely due to military orders, are not subject to tax on their military pay in Utah. However, if nonresident personnel or members of their family residing in Utah have earned income from Utah sources, other than active military service pay, they are required to file a Utah tax return and pay any taxes due.

EXAMPLE: Fred and Alice moved to Utah in 1996 due to military orders. Fred is in the military with Nevada as his home of record. They do not qualify to use Special Instructions while living in Utah because Alice retains the Nevada domicile of her military spouse unless Fred changes his "Home of Record" to Utah. If they file a joint federal return for 1997, they would file a joint return with Utah.

If the non-military spouse was a Utah resident before marrying the military spouse or the non-military spouse came to Utah to live without the military spouse, the non-military spouse who is a full-year resident of Utah qualifies to file a separate Utah return using Special Instructions.

**STEP TWO: If you qualify to use these Special Instructions as stated in STEP ONE, you can file a federal return as married filing joint and file Utah returns as married filing separate.**

*If you do not qualify to use these Special Instructions, the filing status claimed on your Utah return must match the filing status shown on your federal return.*

Both of you must compute your Utah taxable income as if your federal income had been computed separately, as follows:

1. First, the amount of the total federal adjusted gross income (FAGI) pertaining to each spouse shall be determined. Any adjustments that apply jointly to both spouses, shall be divided in proportion to the respective incomes of the spouses. Documentation of your computations should be included with your return.
2. Next, each spouse is allocated a portion of each deduction or add back item. This allocation of the items is determined by a percentage derived from taking each spouse's own federal adjusted gross income (FAGI) and dividing it by the combined FAGI of both spouses. *This ratio should be rounded to four decimals (e.g. 0.1725).* Each spouse will then multiply their percentage by each of the following items to obtain their portion of deductions and add-backs allowed.
  - \* State income tax deducted as an itemized deduction on federal Schedule A
  - \* Other items that must be added back on the state return
  - \* Itemized or standard deduction
  - \* Exemptions for dependents
  - \* ½ of the federal tax liability
  - \* State refund included on line 10 of the federal return
  - \* Other deductions

The only item on the Utah return that does not have to be allocated between the spouses' separate state returns is his or her own personal exemption. *For example, if the husband has 80 percent of the FAGI, his portion would be 80 percent of each item listed above and he would claim his own personal exemption. The wife's portion would be 20 percent of each item and her own personal exemption.*

3. The spouse filing as a Utah resident: calculate your Utah tax as instructed on line 21 of the Utah income tax return.

For the nonresident or part-year resident spouse, the Utah income tax is a percentage of the amount that would be his or her Utah income tax as if a full-year resident. This percentage is the same as that which the Utah portion of the separate FAGI bears to the total separate FAGI (not to exceed 100 percent). The Utah portion of the separate FAGI is the portion that was derived from Utah sources or was received while a Utah resident.

The nonresident or part-year resident spouse: you must complete the Utah return as a nonresident or part-year resident and complete lines 21 and 22 of the Utah income tax return, using the worksheet on state form TC-40A, Part 3, as instructed. Line 22 will show your Utah tax liability. **You must also attach a copy of your federal return.**

**SEE EXAMPLES ON PAGE 15.**

## **SPECIAL INSTRUCTIONS CONTINUED**

EXAMPLE: Becky was a full-year resident of Utah before marrying Terry in 1997. Terry is in the military and he is stationed in Utah. Terry's home of record is Wyoming. They qualify to use Special Instructions because Becky was a Utah resident before marrying Terry. Their combined federal adjusted gross income reported on their 1997 joint federal return is \$75,000.

Becky's separate adjusted gross income is \$30,000. Dividing \$30,000 by \$75,000 equals .40 or 40%. This is the percentage used to allocate the different items on Becky's separate Utah resident return as follows:

<b>Becky (Utah Resident)</b>	Joint Federal Return <b>Form 1040</b>	Joint State Return <b>Form TC-40</b>	Percentage Allocation	Separate State Return <b>Form TC-40</b>
Federal adjusted gross income	\$75,000	\$75,000		\$30,000
State income tax deducted as Itemized deductions	3,710	3,710	0.40	1,484
Other additions to income	0	0	0.40	0
Standard or itemized deductions	(7,000)	(7,000)	0.40	(2,800)
Personal exemption (state is 75% of federal)	(2,650)	(1,988)	1.00	(1,988)*
Spouse exemption (state is 75% of federal)	(2,650)	(1,988)	0.00	(0)
Dependents exemptions (state is 75% of federal)	(2,650)	(1,988)	0.40	(795)**
Federal tax (liability (federal), deduction (state))	(11,608)	(5,804)	0.40	(2,322)***
State refund from line 10 of federal form 1040	(25)	(25)	0.40	(10)
Other deductions	0	0	0.40	0
 Utah Taxable Income				 \$23,569
 Utah tax as calculated on line 21 of Utah return (Use tax rate for married filing separately)				 <b>\$1,551</b>

Terry earned \$45,000 during 1997, but \$3,000 of that earned income was from a Utah source not related to military service pay. Terry is required to file a Utah tax return and pay taxes due. Dividing \$45,000 by \$75,000 equals .60 or 60%. This is the percentage used to allocate the different items on Terry's separate Utah return as follows:

<b>Terry (Nonresident)</b>	Joint Federal Return <b>Form 1040</b>	Joint State Return <b>Form TC-40</b>	Percentage Allocation	Separate State Return <b>Form TC-40</b>
Federal adjusted gross income	\$75,000	\$75,000		\$45,000
State income tax deducted as Itemized deductions	3,710	3,710	0.60	2,226
Other additions to income	0	0	0.60	0
Standard or itemized deductions	(7,000)	(7,000)	0.60	(4,200)
Personal exemption (state is 75% of federal)	(2,650)	(1,988)	1.00	(1,988)*
Spouse exemption (state is 75% of federal)	(2,650)	(1,988)	0.00	(0)
Dependents exemptions (state is 75% of federal)	(2,650)	(1,988)	0.60	(1,193)**
Federal tax (liability (federal), deduction (state))	(11,608)	(5,804)	0.60	(3,482)***
State refund from line 10 of federal form 1040	(25)	(25)	0.60	(15)
Other deductions	0	0	0.60	0
 Utah Taxable Income				 \$36,348
 Utah tax as calculated on line 21 of Utah return (Use tax rate for married filing separately)				 <b>\$2,445</b>
 Utah tax liability percentage as calculated on line 22 box c				 0.067****
<b>Utah Tax Liability line 22 (\$2,445 multiplied by .067)</b>				<b>\$164</b>

\* State exemption for tax year 1997 is \$1,988 (Federal exemption \$2,650 multiplied by .75)

\*\* State exemption \$1,988 multiplied by the allocation percentage.

\*\*\* The federal tax deduction is 1/2 of the federal tax multiplied by the allocation percentage.

The federal tax \$11,608 consists of lines 46, 48, 50 and "Recapture Taxes" included on line 53 from federal form 1040.

\*\*\*\* Line 22 box a \$3,000 divided by box b \$45,000

## TAX CALCULATION WORKSHEET

1. Determine if you will use **WORKSHEET A** or **WORKSHEET B** by your filing status on line 1.  
For example, if you checked box 1b for Head of Household, you would use WORKSHEET B.
2. On the WORKSHEET, locate the **wage range** that best matches the taxable income on line 20 of your state income tax return. For example, if you used WORKSHEET B and your income on line 20 was \$5,500, you would look for the wage range that is "OVER \$4,500 but NOT OVER \$6,000."
3. Complete calculation as instructed on the WORKSHEET.

**This worksheet reflects income tax rate reductions that were effective January 1, 1997.**

### WORKSHEET A - For Single or Married Filing Separate

Use this worksheet if you checked box 1a or 1d on the front of the return.

If Utah Taxable Income on line 20 is <b>NOT OVER \$750</b>			
a Taxable income from line 20 \$	b Multiply amount in box "a" by .023 = \$	<b>This is your Utah Tax.</b> Enter on line 21.	
If Utah Taxable Income on line 20 is <b>OVER \$750 but NOT OVER \$1,500</b>			
a Taxable income from line 20 \$	b Subtract <b>\$750</b> from amount in box "a" = \$	c Multiply amount in box "b" by .033 = \$	d Add <b>\$17</b> to the amount in box "c" = \$
If Utah Taxable Income on line 20 is <b>OVER \$1,500 but NOT OVER \$2,250</b>			
a Taxable income from line 20 \$	b Subtract <b>\$1,500</b> from amount in box "a" = \$	c Multiply amount in box "b" by .042 = \$	d Add <b>\$42</b> to the amount in box "c" = \$
If Utah Taxable Income on line 20 is <b>OVER \$2,250 but NOT OVER \$3,000</b>			
a Taxable income from line 20 \$	b Subtract <b>\$2,250</b> from amount in box "a" = \$	c Multiply amount in box "b" by .052 = \$	d Add <b>\$74</b> to the amount in box "c" = \$
If Utah Taxable Income on line 20 is <b>OVER \$3,000 but NOT OVER \$3,750</b>			
a Taxable income from line 20 \$	b Subtract <b>\$3,000</b> from amount in box "a" = \$	c Multiply amount in box "b" by .06 = \$	d Add <b>\$113</b> to the amount in box "c" = \$
If Utah Taxable Income on line 20 is <b>OVER \$3,750</b>			
a Taxable income from line 20 \$	b Subtract <b>\$3,750</b> from amount in box "a" = \$	c Multiply amount in box "b" by .07 = \$	d Add <b>\$158</b> to the amount in box "c" = \$

### WORKSHEET B - For Head of Household, Married Filing Joint, or Qualifying Widow(er)

Use this worksheet if you checked box 1b, 1c, or 1e on the front of the return.

If Utah Taxable Income on line 20 is <b>NOT OVER \$1,500</b>			
a Taxable income from line 20 \$	b Multiply amount in box "a" by .023 = \$	<b>This is your Utah Tax.</b> Enter on line 21.	
If Utah Taxable Income on line 20 is <b>OVER \$1,500 but NOT OVER \$3,000</b>			
a Taxable income from line 20 \$	b Subtract <b>\$1,500</b> from amount in box "a" = \$	c Multiply amount in box "b" by .033 = \$	d Add <b>\$35</b> to the amount in box "c" = \$
If Utah Taxable Income on line 20 is <b>OVER \$3,000 but NOT OVER \$4,500</b>			
a Taxable income from line 20 \$	b Subtract <b>\$3,000</b> from amount in box "a" = \$	c Multiply amount in box "b" by .042 = \$	d Add <b>\$84</b> to the amount in box "c" = \$
If Utah Taxable Income on line 20 is <b>OVER \$4,500 but NOT OVER \$6,000</b>			
a Taxable income from line 20 \$	b Subtract <b>\$4,500</b> from amount in box "a" = \$	c Multiply amount in box "b" by .052 = \$	d Add <b>\$147</b> to the amount in box "c" = \$
If Utah Taxable Income on line 20 is <b>OVER \$6,000 but NOT OVER \$7,500</b>			
a Taxable income from line 20 \$	b Subtract <b>\$6,000</b> from amount in box "a" = \$	c Multiply amount in box "b" by .06 = \$	d Add <b>\$225</b> to the amount in box "c" = \$
If Utah Taxable Income on line 20 is <b>OVER \$7,500</b>			
a Taxable income from line 20 \$	b Subtract <b>\$7,500</b> from amount in box "a" = \$	c Multiply amount in box "b" by .07 = \$	d Add <b>\$315</b> to the amount in box "c" = \$